THE TARIFF POLICY OF OUR NEW POSSESSIONS.

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The tariff policy of our new possessions must first of all be framed to fit the country and the condition of the people for which it is intended. Unless this fundamental idea is rigidly followed there will be endless complications and trouble. The economic conditions of some countries require one kind of tariff and of other countries another kind of tariff, while some countries like England, for example, are so situated that free admission of all but a few products best promotes the general welfare of the inhabitants and the prosperity of the nation. France, Germany, Russia and the United States each has an elaborate tariff covering hundreds of printed pages, and each devised with a view of protecting certain home industries. To construct a tariff of this sort and clap it around the island of Porto Rico or of Cuba or of the Philippines, would be very much like putting a steam-hammer in motion to crack a hickory nut. We had an illustration of this sort in the case of the Island of Guam, which I suppose may rightly come under the term "our new possessions," however out of place it may be when applied to Cuba. A tariff was wanted for Guam. There was no time to send for the United States tariff, and so Governor Leary, like a true American rose to the occasion and wrote one himself, which for charm of expression and simple directness far excels those more ponderous documents with which Congress is familiar. I was afterwards called upon by the navy department to revise the tariff of Guam and destroy its primitive picturesqueness. It is perhaps in better form now, but the Leary tariff answered the purpose so

long as the military or naval authorities had power of administration without appeal.

The territories which we have acquired by conquest or purchase, and the island which we have pledged ourselves to protect against foreign aggression—though distinctly repudiating sovereignty therein—cannot be exploited for the advantage of the United States. A policy of this sort which disregarded the rights of the inhabitants, would be following the bad example of Spain. It would be putting on the cast-off wearing apparel of England, for the idea of working the colonies solely for the benefit of the mother country has seen its best days with the British Government. The war of American independence did much to modify and dispel the notion that "colonies" or "possessions" could be made tributary to the parent country. The Spanish idea in its government, not only of Cuba, but of Porto Rico and the Philippines, was purely and absolutely the idea of possession, and nothing points so unmistakably to this as the manner in which the tariffs were framed and the tariff policy adapted towards those possessions. Spain was not content with a fiscal policy giving absolute freedom of trade between the mother country and the colonies, and the Spanish tariff against all foreign nations. The Spanish idea was to levy toll both coming and going. To this end, tariffs for these unhappy islands were so constructed that the products of Spain could be imported at a very low rate of duty, and the products of other countries at a rate sometimes double and even treble. A more iniquitous fiscal arrangement was never conceived. True, the products of other countries were food-stuffs and necessities for the farmer and the laborer, while the products of Spain were silks, fine linens, expensive wines and luxuries. So deep-seated was the greed of the mother country that from 75 to 80 per cent of the revenues from customs tariff were collected upon articles of food and of first necessity, while the well-to-do and rich —mostly resident Spanish citizens—enjoyed the lowest rates

of duty upon the merchandise they imported. It was this sort of tariff policy the United States found in the several territories for which we have been called upon to evolve not only a fiscal but a complete governmental policy.

The settlement of our tariff policy for Porto Rico has raised all the questions incidental to the government of these territories, excepting, of course, those involving our future relations with Cuba. It is not my intention to discuss here whether a treaty is a part of the supreme law of the land, or whether the Constitution extends itself, *ex proprio vigore*, to all territory acquired by the United States, at the moment of its acquisition. This is a fundamental question which has been thoroughly thrashed out in the recent debates of Congress, and until the Supreme Court of the United States passes upon it, the proposition that the "Constitution follows the flag" remains controverted. To one dealing only with the practical side of the question it would seem strange that we should have no other alternative but to put around these islands without any preparatory work, the Constitution and laws of the United States. There is no doubt in my mind that under the Treaty of Paris, Congress was invested with full power to legislate with respect to these islands and their inhabitants in such manner as it may deem wise, restrained only by the general spirit of our institutions. The framers of the Constitution seem to have provided for this contingency when they invested Congress with power to "dispose of and make all needful rules and regulations respecting the territory and other property belonging to the United States." "Under these two powers," says Senator Foraker in a very clear exposition of this question in the current *North American Review*, "Congress is at liberty to make any provisions it may see fit to make with respect to Porto Rico and the Philippine Islands that have relation to the civil and political status of their inhabitants. It may make them citizens or withhold citizenship; it may impose equal or unequal taxation, as

compared with the rest of the United States; and it may, as there is occasion to do in this instance with respect to coffee, impose a duty upon the importation of coffee into Porto Rico for the protection of the coffee industry there, while, under the general tariff laws of the United States, at all ports of the United States, coffee is admitted free; and it may, as many of us believe, and as the bill provides—impose a duty upon products imported from the United States into Porto Rico or from Porto Rico into the United States." If this view of the question should prove correct, and the Supreme Court so decides, the tariff policy of our new possessions must be settled in accordance with the opening proposition of this paper. If, on the other hand, the Supreme Court should decide that we have no power under the Constitution to levy duties upon products going from this country to Porto Rico or the Philippines, or to collect duty on merchandise coming from those islands to the United States, there is nothing left for me to discuss. The tariff policy of our new possessions in that case will become the tariff law of the United States, and that has been committed to other hands.

The question of our present and future fiscal relation with Cuba remains undebated, but as the trade of Cuba exceeds that of Porto Rico and the Philippines combined, and the difference of opinions as to its future is as sharply defined, the Cuban question will not lack interest when once before Congress. While the great constitutional lawyers in Congress are clinching their arguments with quotations from the framers of the Constitution, rounding their sentences with rhetoric resonant with eloquence, and keeping the presses of the government printing office busy night and day with their speeches, the Army of the United States is attending to the humdrum of every day legislation, not only in our own new possessions but in the Island of Cuba. The military are hour by hour, and day by day aided by such civilian experts as can be extemporized for this purpose,

keeping law and order, administering police irrespective of race and class, inaugurating a new judiciary, extending municipal institutions, building school houses and establishing schools, reconstructing society on a new basis, framing and promulgating tariffs, collecting and expending revenue, and performing other and equally important functions, not in the interests of the United States, but in the interests of the inhabitants of these islands. All this work has been done with precisely the same scrupulous care and surrounded by the same checks in all matters involving property interests or the receiving and disbursing of money, as our government demands in the administration of its own affairs. In each case the records are complete. If Porto Rico becomes a territory or state of the Union, her people will have a full accounting of all transactions from the day Spain relinquished responsibility of government and the United States assumed it. If Cuba becomes self-governing she will realize that for the first time in her history, she enjoyed during American occupancy, *i. e.*, from January 1, 1899, absolute industrial independence. The tariff policy which we adopted or put in force for Cuba enabled the inhabitants for the first time to purchase in the cheapest and most advantageous markets of the world. She is as free to buy of Spain as of the United States. The commodities imported from the United States pay absolutely the same rate of tariff duty as the commodities imported into Cuba from Spain and from all other countries. The tariff policy adopted for the Philippines, owing to the condition of affairs, is only temporary, but it does not in any way violate the principles underlying our established tariff policy for the territory which the military government of the United States has been called upon to administer.

The tariff policy, therefore, of our new possessions and of Cuba—the government of which we have been called upon to administer—must be more or less modified by the future political relations of these islands to the United States.

If Cuba, Porto Rico or the Philippines were to-morrow declared part and parcel of the United States, subject to our Constitution and laws, what would be the economic result? Porto Rico, around whose unhappy head has recently played all the thunder and lightning of a sharp party debate, would be least affected. From an economic point of view, the difference of absolute free trade between the United States and Porto Rico and a small rate of duty is hardly worth discussing. From a revenue standpoint, a small rate of duty for a limited period has decided advantages. In 1898 I was asked by President McKinley to frame tariffs for Porto Rico and Cuba. While in form, and as far as possible in administrative features, these tariffs were similar, the schedules of rates naturally differed. The Cuban tariff was arranged on a basis of not over 25 per cent *ad valorem*, and the tariff for Porto Rico on a basis of 15 per cent *ad valorem*. The returns for the calendar year 1899 show that the average rate of duty on all imported merchandise (dutiable and free) into Cuba was a trifle less than 20 per cent. The abnormal condition of affairs in Porto Rico—including the disastrous hurricane — makes estimates valueless. There has, however, been little or no complaint against the tariff which we framed for merchandise imported into Porto Rico. The real trouble came from the fact that Congress alone could deal with the rates of duties on the products from Porto Rico imported into the United States.

If, before adjourning in 1899, Congress had passed a simple act reducing duties or admitting free into the United States a few of the chief products of Porto Rico, the present tariff would, with a few modifications, have operated more satisfactorily than the Dingley law, no matter how much it may be reduced. The justice of this has been recognized both by President McKinley and Congress by the return of the $2,000,000 or more of customs duties collected on Porto Rican imports into the United States during the period of our possession. Much has been said of the liberality of

Spanish policy towards Porto Rico. I do not think the fiscal policy of Spain towards this colony differed greatly from that which she adopted towards her other possessions. The Spanish tariff policy seems to have been 7 per cent for manufactures of cotton, 12 per cent for manufactures of silk, 10 per cent for manufactures of wood, 9 per cent for machinery, 2 per cent for special imports, but 20 per cent upon alimentary substances. There would seem to be two reasons for this, the first being that in a climate like Porto Rico the inhabitants can do without almost anything but food; the second that, as most of the food products were imported into Porto Rico from the United States, Spain herself took little interest in the rates of duty. Indeed, of the total amount of duties paid as above, nearly $950,000 were paid by the United States, largely on food products. In making up the Porto Rico tariff, Spain arranged the schedules so adroitly in favor of her own interests that between the goods placed at a high rate of duty coming from countries other than Spain, and the commodities placed at a low rate of duty, or on the free list, when imported into Porto Rico from Spain, she almost escaped the payment of duty. Spain, in fact, furnished over 40 per cent in value of the imports into Porto Rico, upon which were paid less than 4 per cent of the customs collected; the United States furnished 21 per cent of the value of the imports, upon which were paid 38 per cent of the customs collected. The aim was at once to put an end to this condition of affairs, and to this end duties on articles of food and of general consumption were reduced as much as possible or put upon the free list. It must be apparent to any intelligent person who has followed the Porto Rico debate that there is no economic or fiscal issue. The President's first proposition of absolute reciprocity of trade would have been a simple solution of the question if the machinery for internal and local revenue could have been put in motion simultaneously to the abolition of tariff duties. The

plan to give the President a free hand in the matter and authorizing him to reduce the duty on some Porto Rico products imported into the United States and make others free, and to continue in force in the island a tariff for revenue suitable to the wants of the island, would have perhaps been an even more practical way out of the dilemma. The opposition, however, wanted to obscure the real issue and strengthen the anti-expansion cause, by the cry that the President's proposal for free trade with poor Porto Rico had been ruthlessly turned down in the interests of sugar and tobacco trusts. Porto Rico needs revenue, and the simplest and least onerous method of raising it is by a tariff for revenue. The Dingley law with 85 per cent off or 75 per cent off will probably work satisfactorily as a lazy man's tariff. It will harm no industry and can foster no trust. A better way would have been to frame a simple special tariff arrangement between Porto Rico and the United States, in which our food products should be imported free of duty into Porto Rico, and the sugar, tobacco, coffee, fruit, etc., of Porto Rico should be admitted free of duty into the United States. If Congress has the power to deal absolutely with the question—and I believe it has—it might just as well deal with it in the first place effectually. The limited population and productive capacity of the island makes it a small factor in the industrial trade and affairs of the United States. For this reason the principal consideration should be—and, so far as the present administration is concerned, has been—the general welfare of the island itself.

In the Philippines other and more far reaching questions confront us, and it is this issue we have in reality been debating while seemingly discussing schedules of the Porto Rico tariff. In short, our power in Porto Rico is the measure of our power in the Philippines. However indifferently we may view the decision as to the rates of duty to be established between Porto Rico and the United States, the question of our trade relations with the Philippines is far more compli-

cated. It would seem to be of the highest importance both to American labor and industry, and to our future trade relations with the Far East, that Congress shall at all times have power to deal with it as it sees fit. However much the spirit of our institutions may vivify the population of these islands—even to ultimately preparing them for citizenship—it must be admitted that the letter of the Constitution, if abruptly applied, would destroy. For this reason the Republican party has wisely made the fight for a free hand in laying out our commercial policy in the Philippines. Exactly what that policy will be it is impossible to say at this moment, but it will probably be shaped along the same lines as that of Cuba. By this I do not mean that the tariffs will be similar, but the general principles upon which they are framed will be followed. The Cuban tariff was framed especially with a view to the present needs of Cuba. In the same way the Philippine tariff policy should be one that will give sufficient revenue and at the same time not interfere with the "open door" policy which American diplomacy has established in the East. The Dingley tariff law around the Philippines might prove fatal to our growing China and Japan trade and bring about innumerable trade complications. Without entering upon the detail of our tariff policy for the Philippines it must be, first of all, a flexible policy, one that can be changed from time to time by Congress as trade conditions require it. This is apparent at the very threshold of the question. Geographical, climatic and ethnological reasons demand a separate treatment of this territory for some time to come. The American people, practical as they are, realize this, and our fiscal and governmental policy in this part of the world will be shaped in accordance with these general principles,—the spirit of our Constitution, without the letter.

Our tariff policy up to date in Cuba has been simple and has worked satisfactorily. The first tariff for Cuba was framed in much the same way as we frame our own tariff.

As special commissioner to Cuba and Porto Rico the work was assigned to me by the President soon after the signing of the protocol of peace, August, 1898. I visited Cuba, held public hearings in the principal cities and carefully noted all the testimony, petitions, statements and letters. From these data it was possible to gauge pretty accurately the wants of the people of the island. The tariff is practically a revenue measure, though in all cases where native industry asked for protection it was accorded. In no sense was the tariff framed with a view to discrimination in favor of the United States against Cuba or against any other country. There are no maximum and minimum columns in the Cuban tariff. This tariff exceeded our expectations from a revenue point of view, the receipts reaching in the aggregate, for the year 1899, fifteen million dollars. Recently, in conjunction with Collector Bliss, of Havana, and General Sanger, director of the Cuban census, I have revised the tariff which went into force January 1, 1899. The new tariff will be proclaimed by the President, June 15, 1900, and, following out the general lines of the present tariff, it will be more harmonious and easier of administration. The future tariff policy will depend so entirely upon the future status of the island that the discussion can hardly be separated. The Island of Cuba is not only the most important, from a fiscal point of view, of all these territories, but it has required the most careful and skillful treatment. The relations of the United States Government to Cuba are far more complicated than our relations with Porto Rico, though the issues are totally different. Assuming that an entirely independent and separate existence is the ultimate destiny of that island, how can it best be brought about? If it is brought about, how can Cuba maintain it without a navy? Having, at a great sacrifice of blood and treasure, evicted Spain, given Cuba her industrial independence, established a fiscal system administered by Cubans for the benefit of Cuba, there is no future Cuba without the United States as an important factor in the equa-

tion. Cuba is perfectly capable of self-government. Those who have had experience in the reconstruction work know this perfectly well. The tariff policy and the general policy toward Cuba has been a policy looking toward self-government.

There is no disposition on the part of the people of the United States to grab or appropriate Cuba in the manner recently suggested by President Cleveland's Secretary of State. In the due course of time Cuba will become a self-governing territory, but the people of that island, in my opinion, will never relinquish their alliance with the United States, however much we may want to be relieved of the burden. Political, industrial, commercial and fiscal reasons too powerful for mere sentiment to permanently overcome, create a unity of interest and purpose between Cuba and the United States that will in time bring about naturally a union which force could never accomplish. The closer this union the better for the commercial interests of both countries. The Cuban, however, has a good deal of sentiment in his make-up, and if the existing friendship and self-interest should end in annexation, it must come about by the free will of the Cuban himself. Dealing as I am with neither the political, constitutional, nor sentimental sides of these questions, but solely with the economical, it is safe to say that the trade relations of Cuba and the United States dovetail together in perfect harmony. The United States requires all the products of Cuba, and is the nearest and best market for them. Cuba can practically supply her chief wants in our markets. In this, however, the scales tip in favor of Cuba, for the first year of open markets for Cuba has not been satisfactory to United States trade, less than half the imports into Cuba during 1899 coming from the United States. This indicates that the Cuban trade must be looked after, and that it will not run in our channel without some effort on our part to supply the class of goods wanted. Free access to our markets for Cuban tobacco and sugar would be a tremendous

boon to Cuba, and would soon make the island rich and prosperous. The effect, however, on American industry would be serious and far-reaching. The American beet-sugar producer and the Louisiana sugar planters would naturally oppose it, while many would contend that free admission of Cuban cigars would cause a migration of the cigar industry from this country to Cuba. The lack of uniformity of our present sugar tariff discriminates against Cuba. She can take care of herself provided she can get into the United States free of duty, as she did under the McKinley Tariff Law, but entering here with a duty of $1.685 per hundred pounds, against free sugar from the Sandwich Islands and from Porto Rico, and a reduced duty by reason of reciprocity treaties with the British West Indian Islands, mean the absolute ruin of the Island of Cuba. These are some of the stern facts which face Cuba, and their solution can alone be brought about by a satisfactory tariff arrangement with the United States. The Cuban should distinctly understand that there are two sides to any convention that may be brought about between the United States and Cuba. Absolute free trade involves sacrifices on our part of important sugar interests and a reconstruction of our sugar tariff; it may likewise involve great changes in our tobacco and cigar industries. It is a problem with infinite detail to work out and many knotty questions to decide and requires bold statesmanship on both sides. It need not all be done at one stroke of the pen, but by degrees; above all it should be done in proper form, for the Cuban is sensitive and can be led more easily than driven. Whatever the method and whether the result be treaty, alliance or annexation, absolute reciprocity of trade between the United States and Cuba is the only ultimate future tariff policy for the Island of Cuba.

It will be seen that each of these territories occupies a different relationship to the United States, and hence it is impossible to adapt the same tariff policy to all. The effects of free admission from these territories into the United States

would also differ. In the case of Porto Rico I think it would not materially injure any American industry, as one of the important products of Porto Rico—coffee—is now on the free list, and the quantity of sugar and tobacco produced in that island is small compared with our home consumption. Free trade with Cuba would, as we have seen, result in a modification of our revenue laws and in a migration of our sugar industry. On the other hand, if Cuba became part of the United States and the change were brought about gradually, the hardship would not be as great as some imagine. These industrial migrations are going on all the time both in agriculture and manufacture. The centre of the corn and wheat production to-day is remote from the centre of production of these products a generation ago, so with the manufacture of iron, steel and cotton goods, agricultural implements and many other industries. If Cuba can produce 2,000,000 tons per annum of sugar—and this can easily be accomplished under fair conditions—it practically means another staple industry for the United States. If American capital—and most of the capital invested in Cuban sugar plantations is American—can produce sugar at a profit for two cents per pound on the plantation in Cuba, paying precisely the same wages to labor—the capital will flow in that direction instead of in Louisiana, where the cost of production is at least three cents per pound. This applies with equal force to the production of beet-root sugar. The enterprising men now engaged in sugar production in the United States will be the first to plant their great centrals and sugar factories on Cuban soil. These are some of the problems we must discuss when the tariff relations of the United States with Cuba are finally adjusted. Similar adjustment for the Philippines, besides involving our home industries and labor, brings under consideration the trade problems of the Far East. It will thus be seen that the tariff policy of our new possessions is more than an adjustment of tariffs, and that its permanent settlement involves the reconstruction of

industries as well as of schedules. Of the value of this commerce much has been said and many statistical estimates have been given the public. Cuba, of course, comes first with a grand total of trade for the last normal year (1895) of nearly $175,000,000. Perhaps, with allowance for smuggling and undervaluations, this total may reach $200,000,000. Porto Rico should represent $30,000,000, perhaps $40,000,000 under good conditions, while the Philippines will aggregate imports and exports, say, $75,000,000. These totals are capable of great expansion under honest and intelligent trade arrangements, when industrial conditions in the several islands resume the normal state. The aim of the United States should be to secure the large share of the imports to these markets, as to-day the largest share of these products is sold in the United States. Having been called upon to do the practical work in arranging these tariffs, and being under promise to take up the Philippine tariff when those islands resume peaceful pursuits, I hesitate to dwell too much or speak in too glowing terms of the value of this commerce to the United States. United States imports into Cuba during 1899 were distinctly disappointing—less than half the total imports. The first year of industrial freedom for that island shows that on equal terms our competitors make a good showing, while Spain retains naturally a hold that she formerly secured by discriminating duties which favored her imports. Not only must our trade with these territories be secured and maintained by vigorous competition with our commercial rivals, but to greatly enlarge it we must make sacrifices and relinquish hopes at home.